

8 FINANCIAL INFORMATION

8.1 FINANCIAL HIGHLIGHTS

The following table has been extracted from the Accountants' Report in Section 13 of this Prospectus and should be read in conjunction with the notes thereto. The summarised proforma results of the Rexit Group for the five (5) financial years ended 30 June 2005 are as follows: -

	←-----Financial year ended----->				
	1.7.2000 to 30.6.2001 RM'000	1.7.2001 to 30.6.2002 RM'000	1.7.2002 to 30.6.2003 RM'000	1.7.2003 to 30.6.2004 RM'000	1.7.2004 to 30.6.2005 RM'000
Revenue	8,501	11,316	6,483	13,790	25,257
EBITDA	1,895	3,122	1,856	2,403	3,681
Less: Depreciation	(71)	(86)	(181)	(188)	(293)
Interest expense	(13)	(27)	(87)	(99)	(97)
Share of loss in associated company	-	-	-	-	(22)
PBT	1,811	3,009	1,588	2,116	3,269
Less: Taxation	(528)	(870)	(496)	(582)	(261)
PAT	1,283	2,139	1,092	1,534	3,008
Number of ordinary shares assumed to be in issue ('000)	123,080	123,080	123,080	123,080	123,080
Gross EPS (sen)	1.47	2.44	1.29	1.72	2.66
Net EPS (sen)	1.04	1.74	0.89	1.25	2.44

Notes:-

- (i) *The proforma consolidated income statements of the Rexit Group were presented on the assumption that Rexit held 100% equity interest in Rexit Solutions, Rexit(M) and Rexit Software throughout the financial years under review and 20% equity interest in Reward-Link.com since 26 November 2004 (initial acquisition date of Reward-Link.com by Rexit Solutions).*
- (ii) *There were no exceptional items or extraordinary items in the financial years under review.*
- (iii) *The proforma consolidated income statements include certain restatement for reclassification of expenses between revenue, cost of sales and administrative expenses for presentation purposes.*
- (iv) *As the Rexit Group has not adopted a capitalisation policy on software development cost, the lower gross profit margin in certain financial years under review was mainly due to certain research and development costs incurred on on-going software development projects of which the corresponding revenue were not generated in the same financial year. The effects of excluding such developments costs from the overall results of the respective financial year were not adjusted as such costs are not separately identified.*
- (v) *The audited financial results of the Rexit Group for the financial periods covering FYE 2000 to 2002 were not co-terminous with the FYE 30 June. Accordingly, adjustments have been made on a time apportionment basis to arrive at the above results.*
- (vi) *The audited accounts for FYE 30 June 2001 to FYE 30 June 2005 were not subject to any audit qualification.*

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8 FINANCIAL INFORMATION (Cont'd)

8.2 ANALYSIS AND COMMENTARY ON FINANCIAL INFORMATION

THE FOLLOWING COMMENTARY AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S FINANCIAL HIGHLIGHTS INCLUDED IN SECTION 8.1 OF THIS PROSPECTUS.

8.2.1 Overview of revenue and operating profits growth and factors contributing thereto

FYE 30 June 2001

Revenue of the Rexit Group recorded a growth of approximately 16.4% as compared to financial year 2000 due to continuous expansion of customer base and introduction of new software products.

Finance costs were incurred commencing financial year 2001 in connection with the drawdown of term loan for the acquisition of freehold land and building.

The decline in PAT by 3% as compared to financial year 2000 despite the increase in PBT of 26% was due to higher effective tax rates borne by the Group due to the absence of tax waiver enjoyed in the previous financial year.

FYE 30 June 2002

The significantly higher revenue for the financial year by approximately 33.1% as compared to the previous financial years was mainly due to:

- Significant hardware sales were generated mainly from purchase orders obtained from a major customer of the Rexit Group for the upgrading exercise of their hardware equipments.
- The increase in software development revenue due to additional revenue earned from deployment of the Rexit Group's staff for execution and maintenance of clients' software systems.

The high PAT was in line with the higher revenue generated as explained above.

FYE 30 June 2003

In the absence of the significant hardware sales in the financial year 2002 which were non-recurring in nature, the Group's revenue for the financial year shown a decline by 42.7% as compared to financial year 2002. Nonetheless, the Rexit Group continue to record steady revenue in financial year 2003 from its core business of system development and application software sales.

Despite the decline in revenue in 2003, gross profit margin recorded by the Rexit Group indicated an improvement from 31.8% in financial year 2002 to 44.0% due to higher margins earned from system development, application software sales and maintenance.

The consolidated PAT decreased by approximately 48.9% due to the lower revenue for the financial year as well as higher effective tax rate for the financial year.

8 FINANCIAL INFORMATION (Cont'd)

FYE 30 June 2004

Revenue in financial year 2004 increased by approximately 113% from the previous financial year mainly due to the significant increase in hardware sales recorded as well as the significant growth in application software sales. Various new own-developed software such as e-QMS and e-AMS were marketed to cater for the operational needs of the Group's clients. The development of such new software products, coupled with complementary software maintenance contracts, had contributed to the significant growth in application software sales in financial year 2004.

For financial year 2004, the Rexit Group recorded an increase in PAT by approximately 40.5% as compared to financial year 2003.

FYE 30 June 2005

The Rexit Group charted higher revenue of 83.2% as compared to the previous financial year mainly due to the increased sales in application software, subscription fees from the e-Cover portal and supplementary hardware sales attributable to the launch of the e-Cover portal services in conjunction with the nationwide implementation of JPJ eINSURANS initiative.

Conversely, gross profit margin for the Rexit Group declined marginally to 21.7% against 27.6% in the previous financial year due to increase in supplementary hardware sales which attracted lower margins, as compared to software development revenue and application software sales.

In line with the increase in revenue and coupled with the 100% tax exemption granted to Rexit Software due to its pioneer status, the Rexit Group's consolidated PAT increased by 96.1% as compared to the previous financial year.

8.3 TAXATION

Rexit Solutions

	←-----Financial period/year ended----->				
	1.9.1999 to 31.12.2000 RM	1.1.2001 to 30.6.2002 RM	1.7.2002 to 30.6.2003 RM	1.7.2003 to 30.6.2004 RM	1.7.2004 to 30.6.2005 RM
Malaysian taxation based on profit for the financial years/ financial periods	40,000	1,261,600	473,000	567,000	39,000
Transferred from/(to) deferred taxation	10,000	(7,000)	10,576	12,050	251,174
Under/(Over)provision in prior years	-	20,824	2,679	(1,501)	3,402
	50,000	1,275,424	486,255	577,549	293,576
Effective tax rate	34.30%	28.81%	31.42%	27.83%	38.98%
Statutory tax rate	28%	28%	20%/28%	20%/28%	20%/28%

8 FINANCIAL INFORMATION (Cont'd)

The effective tax rates for financial period 2000, financial years 2003 and 2005 were higher than the statutory tax rates due principally to the effects of certain non-deductible expenses and certain non-business income. Other than the above, the effective tax rates of the other financial years/ financial period fairly approximates the statutory tax rate applicable in those particular financial years/ financial period.

Rexit(M)

	← Financial period/year ended →				
	1.1.2000 to 31.12.2000 RM	1.1.2001 to 30.6.2002 RM	1.7.2002 to 30.6.2003 RM	1.7.2003 to 30.6.2004 RM	1.7.2004 to 30.6.2005 RM
Tax expense for the financial period/year	148,000	27,600	13,470	9,900	28,000
Under/(Over)provision in prior years	-	1,100	(1,480)	(3,845)	469
Transferred to/(from) deferred taxation	1,300	500	(1,800)	(1,300)	600
	149,300	29,200	10,190	4,755	29,069
Effective tax rates	29.68%	34.26%	25.06%	11.75%	21.22%
Statutory tax rates	28%	28%	20%/28%	20%/28%	20%/28%

The effective rates of taxation for financial year 2000, financial period 2002 and financial year 2003 were higher than the applicable statutory tax rates due to certain expenses being disallowed for tax purposes.

Rexit Software

Rexit Software was granted pioneer status for a period of five (5) years (renewable to 10 years subject to certain conditions being met) under the Promotion of Investment Act, 1986 by virtue of it being a company with Multimedia Super Corridor (MSC) status, which entitles Rexit Software to enjoy a five (5) year tax exemption. Hence there was no tax expense for the financial period ended 30 June 2005.

8.4 DIRECTORS' DECLARATION ON FINANCIAL PERFORMANCE

As at 21 September 2005, being the latest practicable date prior to the printing of this Prospectus, and save for the risk factors disclosed in Section 3 of this Prospectus, the financial conditions and operations of the Group are not affected by any of the following:-

- (a) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- (b) unusual, infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the Group;

8 FINANCIAL INFORMATION (Cont'd)

- (c) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position; and
- (d) pending and threatened litigation and arbitration proceedings having an impact on the financial position of the Group.

8.5 WORKING CAPITAL, BORROWINGS, MATERIAL LITIGATION, CONTINGENT LIABILITIES AND MATERIAL CAPITAL COMMITMENTS

(i) Working Capital

The Board is of the opinion that, after taking into account the cashflow position, the banking facilities available and the net proceeds from the subscription and Public Issue, the Company will have adequate working capital for a period of twelve (12) months from the date of issue of this Prospectus.

(ii) Borrowings

As at 21 September 2005, being the last practicable date prior to the printing of this Prospectus, the Group's total outstanding borrowings amounted to RM1,323,623 consisting term loan obligation, of which RM81,078 is short term and RM1,242,545 is long term. The interest rates obligations for the above borrowings are in the range of between 6.00% and 7.00% per annum.

The Group does not have any foreign currency borrowings. The Rexit Group has not reported any default on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

(iii) Material Litigation

As at 21 September 2005, being the latest practicable date prior to the printing of this Prospectus, the Group is not engaged whether as plaintiff or defendant in any legal action, proceedings, arbitration or prosecution for any criminal offence, which has a material effect on the financial performance and position of the Group and the Board has no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially affect the position and business of the Group.

(iv) Contingent Liabilities

There are no contingent liabilities incurred by the Group as at 21 September 2005, being the latest practicable date prior to the printing of this Prospectus.

(v) Material Capital Commitment

The Group has no material capital commitment as at 21 September 2005, being the latest practicable date prior to the printing of this Prospectus.

8 FINANCIAL INFORMATION (Cont'd)

8.6 FUTURE FINANCIAL INFORMATION

Due to the uncertain nature and inherent risks of the business of the Group, no future financials are included in this Prospectus. For more details on the risk factors, please refer to Section 3 of this Prospectus.

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9 APPROVALS AND CONDITIONS

9.1 APPROVALS AND CONDITIONS FROM AUTHORITIES

The SC has granted its approval to the Public Issue and the Listing on 15 August 2005. The SC had also approved the Listing under the Foreign Investment Committee's Guidelines on Acquisitions, Mergers and Take-overs by Local and Foreign Interests. The conditions imposed by the SC and the status of compliance are set out as follows:-

Conditions imposed by SC**Status of compliance**

- | | | |
|------|---|------------------------------------|
| (i) | Rexit to disclose in its quarterly and annual reports the status of utilisation of proceeds raised from the listing exercise until the proceeds are fully utilised; | Will be complied |
| (ii) | Moratorium on the sale of shares to be imposed on the promoter of Rexit, as follows: | Will be complied after the Listing |

	Direct shareholdings after the Proposals		Shares to be held under moratorium	
	No. of shares	%	No. of shares	%
Rexit Venture Sdn Bhd (Rexit Venture)	69,232,520	48.76	63,900,000	45.00

where Rexit Venture is not allowed to sell, transfer or assign its shareholdings amounting to 45% of the nominal issued and paid-up share capital of Rexit for 1 year from the date of admission of the company on the MESDAQ Market of Bursa Malaysia. Thereafter, it may sell, transfer or otherwise dispose of up to a maximum of one-third of its respective shareholdings under moratorium. In addition, every beneficial shareholder of Rexit Venture must give an undertaking not to sell, transfer or assign his/her shareholdings in the said companies for the same period;

- | | | |
|-------|--|---|
| (iii) | Rexit to either collect or make full provision for all trade receivables that have been outstanding for more than 90 days; | Complied – All trade receivables outstanding for more than 90 days as at 30 June 2005 have been fully provided. |
|-------|--|---|

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9 APPROVALS AND CONDITIONS (Cont'd)

Conditions imposed by SC	Status of compliance
(iv) With respect to the placement of Rexit shares as per Paragraph 1.1(iv)(b), Kenanga should submit to the SC, prior to the listing and quotation for Rexit's entire issued and paid-up share capital on the MESDAQ Market, the following: <ul style="list-style-type: none"> (a) The name, NRIC number, occupation, number of shares placed and address of placees and/or of ultimate beneficial owners in case of placees who are companies/corporations; (b) A declaration by the promoters of Rexit that the placees are parties not related to the promoters; and (c) A declaration by the placement agent that the shares have been placed with parties not related to the promoters; 	Will be complied prior to the listing of and quotation for Rexit's issued and paid-up share capital on the MESDAQ Market.
(v) Kenanga / Rexit to include a negative statement in its prospectus on the exclusion of a profit forecast and projections from the prospectus and the reasons thereof;	Complied. Appropriate disclosure has been made in Sections 1.10 and 8.6 of this Prospectus
(vi) Rexit to meet the 30% Bumiputera equity requirement within 1 year after the company has achieved the profit track record requirement for listing on the Second Board of Bursa Securities or 5 years after being listed on the MESDAQ Market, whichever is the earlier, in which the shares are to be allocated to Bumiputera investors approved by the MITI;	Will be complied
(vii) Rexit to submit a preliminary proposal to the SC on how the company proposes to meet the Bumiputera equity condition, 6 months before the expiry of compliance; and	Will be complied
(viii) Kenanga / Rexit to inform the SC upon completion of the proposed flotation on MESDAQ Market.	Will be complied

The SC has also noted the effects of the Public Issue on the equity structure of Rexit and Reward-Link.com, as illustrated as follow:-

Effects of the Public Issue on the equity structure

(i) Rexit

	Before the listing proposals for Rexit ("Listing Proposal")	After Listing Proposal
	%	%
Bumiputera	-	-*
Non-Bumiputera	100.00	91.87
Foreign	-	8.13
Total	100.00	100.00

9 APPROVALS AND CONDITIONS (Cont'd)

* *Approval from Ministry of International Trade and Industry for the recognition of the Bumiputera equity of Rexit was not sought for*

(ii) Reward-Link.com

	Before Listing Proposal %	After Listing Proposal %
Bumiputera	-	-
Non-Bumiputera	100.00	98.37
Foreign	-	1.63
Total	100.00	100.00

9.2 MORATORIUM ON PROMOTERS' SHARES

Pursuant to Paragraph 2.10.2 of the Listing Requirements and the conditions of the SC in approving the listing of Rexit, the Rexit Shares held by the Promoters amounting to 45% of the nominal issued and paid-up share capital of Rexit at the date of admission, as tabulated below, and any interest therein may not be sold, transferred or assigned within one (1) year from the date of admission of Rexit to the Official List of the MESDAQ Market. Thereafter, they are permitted to sell, transfer or assign up to a maximum of one third per annum on a straight-line basis of their respective shareholdings in the Company which is under moratorium.

The Rexit Shares held by the Promoters which are under moratorium are as follows: -

Name of Promoter	No. of Rexit Shares held after the listing [#]				No. of Rexit Shares under moratorium	
	Direct	%	Indirect	%		%
Rexit Venture	69,232,520	48.76	-	-	63,900,000	45.00
Chung Hon Cheong	* 4,596,250	3.24	69,232,520 ^(a)	48.76	-	-
Si Tho Yoke Meng	* 750,000	0.53	69,232,520 ^(a)	48.76	-	-
Total	74,578,770	52.53	-	-	63,900,000	45.00

Note:

No ESOS options will be exercised as at the date of the admission of Rexit into Bursa Securities

* *Assuming the eligible substantial shareholders and directors subscribe for their respective entitlements to the pink form shares allocation and no exercise of ESOS Options*

(a) *Deemed interested through his direct interests in Rexit Venture by virtue of section 6A of the Act*

The restriction is specifically endorsed on the share certificates of Rexit representing the shareholding of the aforesaid shareholders, which are under moratorium to ensure that the Company's Share Registrars will not register any transfer not in compliance with the aforesaid restriction.

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10 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

- 10.1** Save as disclosed below, there have been no related-party transactions, existing or proposed entered into by the Rexit Group which involves the interest, direct or indirect, of a director, major shareholder or person connected with such director or major shareholder, within the meaning of the Listing Requirements:-

Related Party	Party With Whom the Transaction is Carried Out	Nature of transactions	Value based on 30 June 2005 (RM)	Interested Director(s) / Substantial Shareholder(s) / Persons Connected to Them
Rexit Solutions	Rexit Technology Sdn Bhd	Provision of software services	200,000	<ul style="list-style-type: none"> ▪ Chung Hon Cheong is a director and substantial shareholder in Rexit, Rexit Solutions and Rexit Technology Sdn Bhd ▪ Si Tho Yoke Meng is a director and substantial shareholder in Rexit, Rexit Solutions and Rexit Technology Sdn Bhd
Rexit(M)	Rexit Technology Sdn Bhd	Provision of software services	144,000	<ul style="list-style-type: none"> ▪ Chung Hon Cheong is a director and substantial shareholder in Rexit, Rexit(M) and Rexit Technology Sdn Bhd ▪ Si Tho Yoke Meng is a director and substantial shareholder in Rexit, Rexit(M) and Rexit Technology Sdn Bhd
Rexit Solutions	Reward-Link.com	Provision of e-Cover Note total solution, including hardware and software	1,429,770	<ul style="list-style-type: none"> ▪ Festa Wira Sdn Bhd is the substantial shareholder of Reward-Link.com and Rexit ▪ Leong Chow Yin and Khoo Kwee Gim are both directors of Festa Wira Sdn Bhd. They are also the substantial shareholders of Festa Wira Sdn Bhd and Rexit. ▪ Chung Hon Cheong is a director of Reward-Link.com and substantial shareholder in Rexit

10 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)

Related Party	Party With Whom the Transaction is Carried Out	Nature of transactions	Value based on 30 June 2005 (RM)	Interested Director(s) / Substantial Shareholder(s) / Persons Connected to Them
Rexit Solutions	Reward-Link.com	Exclusive collaboration between Rexit Solutions and Reward-Link.com, whereby Reward-Link.com will only work in collaboration with Rexit Solutions for the promotion of the Reward-Link.com's gateway services to insurance companies in Malaysia unless such insurance companies do not subscribe to the e-Cover portal	One-time connection and setup fees of RM6,000 per insurance company	<ul style="list-style-type: none"> Chung Hon Cheong is a director of Rexit, Rexit Solutions and Reward-Link.com, and a substantial shareholder in Rexit and Rexit Solutions

10.2 Save as disclosed below, none of the Directors and/or substantial shareholders of the Company and/or person(s) connected with any of them have any interest, direct or indirect, in the promotion of or in any material assets which have, within the two (2) years preceding the date of this Prospectus, been acquired or disposed of by or leased to any of the companies within the Rexit Group, or are proposed to be acquired, or disposed of by or leased to any of the companies within the Rexit Group:-

- (a) Acquisition by Rexit Solutions of the 1,000,000 ordinary shares of RM1.00 each in Reward-Link.com, representing 20% equity interest, from Chung Hon Cheong for a cash consideration of RM1,500,000, which was completed on 26 November 2004.
- (b) Acquisition by Rexit of the 5,000 ordinary shares of RM1.00 each in Rexit Solutions, from Chung Hon Cheong for a consideration of RM384,625 (Satisfied by issuance of Rexit Shares), which was completed on 30 August 2005.
- (c) Acquisition by Rexit of the 90,000 ordinary shares of RM1.00 each in Rexit Solutions, from Rexit Venture for a consideration of RM6,923,250 (Satisfied by issuance of Rexit Shares), which was completed on 30 August 2005.

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10 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)

- 10.3** Save as set out below, none of the Directors and/or substantial shareholders of Rexit have any interest, direct or indirect, in any businesses and corporations carrying on a similar trade as that of the Rexit Group.

Executive Director	Name of Company	Principal activities	Designation	Shareholdings	
				Direct (%)	Indirect (%)
Chung Hon Cheong	Rexit Venture	Investment holding	Director	70.00	-
	Rexit Technology Sdn Bhd	Research and development in RFID	Director	20.00	80.00
Si Tho Yoke Meng	Rexit Venture	Investment holding	Director	15.00	-
	Rexit Technology Sdn Bhd	Research and development in RFID	Director	-	80.00

The Rexit Group believes that it will not be in direct competition with the companies disclosed above, after taking into consideration these companies' distinct business activities although these companies are involved in the IT industry.

10.4 Declaration of Advisers

Kenanga hereby confirms that there are no existing or potential conflicts of interest in its capacity as the Adviser for the Public Issue.

Lee Hishammuddin Allen & Gledhill has given its confirmation that there are no existing or potential conflicts of interest in its capacity as the Corporate and Due Diligence Solicitors for the Public Issue.

Messrs. Peter I.M. Chieng & Co has given its confirmation that there are no existing or potential conflicts of interest in its capacity as Auditors and Reporting Accountants for the Public Issue.

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11. OTHER INFORMATION CONCERNING THE REXIT GROUP

11.1 LANDED PROPERTY

As at 21 September 2005, the Rexit Group has the following landed property:-

Registered Owner	Postal Address	Lot No./ Mukim/ Daerah	Description	Existing Usage	Restriction in Usage	Approximate Age of Building (years)	Tenure	Total Land Area	Total Build up area	Certificate of Fitness	Encumbrances	Net book value as at 30 June 2005 (RM)
Rexit Solutions	42 Jalan BM 1/2, Taman Bukit Mayang Emas, 47301 Petaling Jaya, Selangor	Lot PT 11808/ Sungai Buloh/ Petaling	3-storey shop office	Office	For commercial use only	11 years	Freehold	368.4 sq. m.	923.14 sq. m.	6 August 1994	Standard Chartered Bank Malaysia Berhad, 18-22, Jalan SS21/39 Damansara Utama 47400 Petaling Jaya	2,108,026

11.2 LICENCES AND PERMITS

No licence or permits is required for the operations of the Rexit Group other than the following:-

- (a) the approval from the Ministry of Transport of Malaysia on 16 April 2004 for Reward-Link.com to provide the electronic link as the gateway provider between insurance companies in Malaysia and JPJ; and
- (b) the approval from BNM on 21 July 2004 for Rexit Solutions to provide its e-Cover portal services. In addition, insurance companies subscribing to the e-Cover portal are required to seek BNM's prior approval.



REXIT BERHAD (668114-K)

No. 42, Jalan BM 1/2, Taman Bukit Mayang Emas,
47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: (603) 7803 6623 Fax: (603) 7803 6922
Website: www.rexit.com

Date : **1 2 OCT 2005**

The Shareholders of Rexit Berhad

Dear Sir/ Madam

On behalf of the Board of Directors of Rexit Berhad ("Rexit"), I report after making due enquiries that during the period from 30 June 2005 (being the date of the last audited accounts of Rexit and its subsidiaries (the "Group")) up to the date hereof (being a date not earlier than fourteen (14) days before the issuance of this Prospectus):-

- (i) the business of the Group, in the opinion of the Directors, has been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances has arisen since the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;
- (iii) the current assets of the Group appear in the books at values, which are believed to be realisable in the ordinary course of business;
- (iv) no contingent liabilities have arisen by reason of any guarantee or indemnity given by the Group;
- (v) the Group has no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which we are aware of; and
- (vi) save as disclosed in the Accountants' Report and the proforma consolidated balance sheets in this Prospectus, there have been no material changes in the published reserves nor any unusual factors affecting the profits of the Group.

Yours faithfully

**For and on behalf of the Board of Directors
Rexit Berhad**

A handwritten signature in black ink, appearing to read 'Si Tho Yoke Meng', is written over a horizontal line.

**Si Tho Yoke Meng
Chief Operating Officer**

13 ACCOUNTANTS' REPORT



Member of Affilica International,
affiliates worldwide

Chartered Accountants

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13 October 2005

The Board of Directors
Rexit Berhad
42, Jalan BM 1/2
Taman Bukit Mayang Emas
47301 Petaling Jaya
Selangor Darul Ehsan

Attn: Mr. Chung Hon Cheong

Dear Sirs,

1. INTRODUCTION

This report has been prepared by Peter I.M. Chieng & Co., an approved company auditor, for inclusion in the Prospectus of Rexit Berhad ("Rexit") to be dated 20 October 2005 in connection with the initial listing of and quotation for its securities on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MESDAQ Market").

2. GENERAL INFORMATION

2.1 Incorporation

Rexit was incorporated on 4 October 2004 in Malaysia as a public company limited by shares under the Companies Act, 1965.

2.2 Principal Activity

The principal activity of Rexit is an investment holding company.

2.3 Share Capital

The authorised and issued and fully paid-up share capital of Rexit upon incorporation are RM100,000 and RM2 respectively, comprising 100,000 and 2 ordinary shares of RM1 each respectively.

On 30 August 2005, the authorised share capital of Rexit was increased to RM25,000,000 which comprised of 250,000,000 ordinary shares of RM0.10 each (upon the subdivision of the par value of the existing ordinary shares of RM1.00 each in Rexit to RM0.10 each).

2.4 Subsidiary and Associated Companies

Rexit Solutions Sdn Bhd ("Rexit Solutions") is principally engaged in the sale of application software solutions and related products and services.

13 ACCOUNTANTS' REPORT (Cont'd)


Peter I.M. Chieng & Co.
AF-0311
Estd. 1980

2. GENERAL INFORMATION (Cont'd)**2.4 Subsidiary and Associated Companies (Cont'd)**

Rexit (M) Sdn Bhd ("Rexit(M)") is principally engaged in the provision of software technical and consultancy services in the Asia Pacific region.

Rexit Software Sdn Bhd ("Rexit Software") is principally engaged in the research and development of application software and provision of related services.

Reward-Link.com Sdn Bhd ("Reward-Link.com"), a 20% owned associated company of Rexit, is the Malaysian Government authorised Road Transport Department ("JPJ") eINSURANS gateway provider between insurance companies and the JPJ.

Further details of the subsidiary and associated companies of Rexit at the date of this report are as follows:

	Equity interest	Country of incorporation	Date of incorporation
Subsidiary companies			
Rexit Solutions	100%	Malaysia	21 February 1998
Rexit (M)	100%	Malaysia	23 March 1999
Rexit Software	100%	Malaysia	17 June 2004
Associated company			
Reward-Link.com	20%	Malaysia	1 March 2000

3. LISTING EXERCISE

The listing exercise of Rexit incorporates the followings:

- Share split involves the subdivision of the par value of the existing ordinary shares of RM1.00 each in Rexit to RM0.10 each ("Share Split").

Based on the issued and paid-up share capital of RM2 comprising 2 ordinary shares of RM1.00, the issued and paid-up share capital of Rexit pursuant to the Share Split will be RM2 comprising 20 ordinary shares of RM0.10 each.

- Acquisition of 160,000 ordinary shares of RM1.00 each in Rexit Solutions, representing the entire issued and paid-up share capital of Rexit Solutions for a purchase consideration of RM12,307,998 to be satisfied entirely by the issuance of 123,079,980 new ordinary shares of RM0.10 each in Rexit ("Acquisition of Rexit Solutions").
- Upon completion of the Acquisition of Rexit Solutions, the corporate reorganisation of the Rexit group of companies entails the following acquisitions by Rexit from Rexit Solutions:
 - (a) The acquisition of 1,000 ordinary shares of RM1.00 each in Rexit(M), representing the entire issued and paid-up share capital of Rexit(M) for a cash consideration of RM1,000 ("Acquisition of Rexit(M)");

13 ACCOUNTANTS' REPORT (Cont'd)

**Peter I.M. Chieng & Co.**
AF-0311
Estd. 1980

3. LISTING EXERCISE (Cont'd)

- (b) The acquisition of 2 ordinary shares of RM1.00 each in Rexit Software, representing the entire issued and paid-up share capital of Rexit Software for a cash consideration of RM2 ("Acquisition of Rexit Software"); and
- (c) The acquisition of 1,000,000 ordinary shares of RM1.00 each in Reward-Link.com, representing 20% of the issued and paid-up share capital of Reward-Link.com for a cash consideration of RM1,500,000 ("Acquisition of Reward-Link.com").
- Public issue of 18,920,000 new ordinary shares of RM0.10 each in Rexit ("Rexit Shares") at an indicative issue price of RM0.32 per Rexit Share to individuals, companies, societies, co-operatives, institutions, employees and business associates ("Public Issue"). Upon completion of the Public Issue, the issued and paid-up share capital of Rexit will increase to RM14,200,000 comprising 142,000,000 shares credited as fully paid-up.
- Listing and quotation of Rexit's entire enlarged issued and paid-up share capital of RM14,200,000 comprising 142,000,000 of Rexit Shares on the MESDAQ Market ("Listing").

4. AUDITORS, FINANCIAL STATEMENTS AND FINANCIAL ACCOUNTING DATES

The financial statements of Rexit Solutions for the financial year ("FY")s/financial period ("FP")s under review were audited by the auditors as set out below:

<u>Audited financial statements</u>	<u>Auditors</u>
FP ended 31 December 2000	Yeo, Lim & Co
FP ended 30 June 2002	PKF
FY ended 30 June 2003	PKF
FY ended 30 June 2004	Yeo, Lim & Co
FY ended 30 June 2005	Peter I.M. Chieng & Co.

The audited financial statements for the relevant FYs/FPs under review were reported by the respective auditors without any qualification.

The financial statements of Rexit(M) for the FYs/FP under review were audited by the auditors as set out below:

<u>Audited financial statements</u>	<u>Auditors</u>
FY ended 31 December 2000	Yeo, Lim & Co.
FP ended 30 June 2002	PKF
FY ended 30 June 2003	PKF
FY ended 30 June 2004	Yeo, Lim & Co.
FY ended 30 June 2005	Peter I.M. Chieng & Co.

The audited financial statements for the relevant FYs/FP under review were reported by the respective auditors without any qualification.

Rexit and Rexit Software were newly incorporated on 4 October 2004 and 17 June 2004 respectively. The first set of audited financial statements were drawn up for the FP ended 30 June 2005. The financial statements for the FP of Rexit and Rexit Software were audited by Messrs. Peter I.M. Chieng & Co. and were reported without any qualification.

13 ACCOUNTANTS' REPORT (Cont'd)

Peter I.M. Chieng & Co.
AF-0311
Estd. 1980

5. DIVIDENDS

No dividends have been paid or declared by Rexit Group since the date of incorporation of each company other than the tax exempt dividend of 10,000,000% amounted to RM200,000 in respect of the financial period ended 30 June 2002, which was declared and paid by Rexit(M) on 9 February 2001.

6. SUMMARISED INCOME STATEMENTS**6.1 Proforma Consolidated Income Statements**

The proforma consolidated income statements for the past five FYs ended 30 June 2004 based on the audited financial statements of Rexit's subsidiary companies, Rexit Solutions and Rexit(M). The proforma consolidated income statements are provided for illustrative purposes only, based on the assumption that Rexit and its subsidiary companies ("Rexit Group") had been in existence throughout the FYs under review.

	<----- FY ended (restated) ----->				
	1.7.2000 to 30.6.2001 RM	1.7.2001 to 30.6.2002 RM	1.7.2002 to 30.6.2003 RM	1.7.2003 to 30.6.2004 RM	1.7.2004 to 30.6.2005 RM
Revenue	8,500,556	11,316,374	6,482,983	13,789,886	25,257,126
Cost of sales	(5,925,710)	(7,716,964)	(3,629,386)	(9,982,278)	(19,767,348)
Gross profit ("GP")	2,574,846	3,599,410	2,853,597	3,807,608	5,489,778
Other operating income	43,302	51,807	111,722	112,835	286,339
Administrative expenses	(722,675)	(529,427)	(1,109,283)	(1,517,181)	(2,094,791)
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	1,895,473	3,121,790	1,856,036	2,403,262	3,681,326
Depreciation	(71,482)	(86,231)	(181,497)	(188,228)	(293,694)
Profit before taxation and interest ("PBIT")	1,823,991	3,035,559	1,674,539	2,215,034	3,387,632
Interest expense	(13,458)	(26,915)	(86,519)	(99,039)	(96,859)
Share of loss in associated company	-	-	-	-	(21,765)
Profit before taxation ("PBT")	1,810,533	3,008,644	1,588,020	2,115,995	3,269,008
Taxation	(528,275)	(869,750)	(496,445)	(582,304)	(260,845)
Profit after taxation ("PAT")	1,282,258	2,138,894	1,091,575	1,533,691	3,008,163
Gross earnings per share ("EPS")* (sen)	1.47	2.44	1.29	1.72	2.66
Net EPS* (sen)	1.04	1.74	0.89	1.25	2.44
Effective tax rate (%) ⁽¹⁾	29.18	28.91	31.26	27.52	7.98
GP margin (%) ⁽²⁾	30.29	31.81	44.02	27.61	21.74
PBT margin (%) ⁽³⁾	21.30	26.59	24.50	15.34	12.94
Interest expense	13,458	26,915	86,519	99,039	96,859
Interest coverage (times) ⁽⁴⁾	140.84	115.99	21.45	24.27	38.01

* Based on the assumed number of issued and paid-up ordinary shares of Rexit of 123,080,000 units prior to the Public Issue.

13 ACCOUNTANTS' REPORT (Cont'd)

**Peter I.M. Chieng & Co.**
AF-0311
Estd. 1980

6. SUMMARISED INCOME STATEMENTS (Cont'd)

6.1 Proforma Consolidated Income Statements (Cont'd)

- (1) Tax expense / PBT
- (2) GP / Revenue
- (3) PBT / Revenue
- (4) PBIT / Interest expense

Notes to the Proforma Consolidated Income Statements of Rexit Group:

- (i) The proforma consolidated income statements of Rexit Group were presented on the assumption that Rexit held 100% equity interest in Rexit Solutions, Rexit(M) and Rexit Software throughout the FYs under review and 20% equity interest in Reward-Link.com since 26 November 2004 (initial acquisition date of Reward-Link.com by Rexit Solutions).
- (ii) There were no exceptional items or extraordinary items in the FYs under review.
- (iii) The proforma consolidated income statements include certain restatement for reclassification of expenses between revenue, cost of sales and administrative expenses for presentation purposes.
- (iv) As Rexit Group has not adopted a capitalisation policy on software development cost, the lower GP margin in certain FYs under review was mainly due to certain research and development costs incurred on on-going software development projects of which the corresponding revenue were not generated in the same FY. The effects of excluding such development costs from the overall results of the respective FY were not adjusted as such costs are not separately identified.
- (v) The audited financial results of Rexit Group for the financial periods covering FY 2000 to 2002 were not co-terminous with the FY end 30 June. Accordingly, adjustments have been made on a time apportionment basis to arrive at the above results.
- (vi) FY 2001
Revenue of the group recorded a growth of approximately 16.4% as compared to the previous FY 2000 due to the expansion of customer base and introduction of new software products.

Finance costs were incurred commencing FY 2001 in connection with the drawdown of term loan for the acquisition of freehold land and building.

The declined in PAT by approximately 3.2% as compared to FY 2000 despite the increase in PBT by 26.4% was due to higher effective tax rates borne by the Group due to the absence of tax waiver enjoyed in the previous FY.
- (vii) FY 2002
The significantly higher revenue for the FY by approximately 33.1% as compared to the previous FYs was mainly due to:
 - Significant hardware sales were generated mainly from purchase orders obtained from a major customer of Rexit Group for the upgrading exercise of their hardware equipments.
 - The increase in software development revenue due to additional revenue earned from deployment of the Group's staff for execution and maintenance of clients' software systems.

13 ACCOUNTANTS' REPORT (Cont'd)

 **Peter I.M. Chieng & Co.**
AF-0311
Estd. 1980

6. SUMMARISED INCOME STATEMENTS (Cont'd)

6.1 Proforma Consolidated Income Statements (Cont'd)

(vii) FY 2002 (Cont'd)

The higher PAT was in line with the higher revenue generated as explained above.

(viii) FY 2003

In the absence of the significant hardware sales in the previous FY which were non-recurring in nature, the Group's revenue for the FY shown a decline by 42.7% as compared to FY 2002. Nonetheless, Rexit Group continue to record steady revenue in FY 2003 from its core business of system development and application software sales.

Despite the decline in revenue in FY 2003, GP margin recorded by Rexit Group indicated an improvement from 31.8% in FY 2002 to 44.0% due to higher margins earned from system development, application software sales and maintenance.

The consolidated PAT decreased by approximately 48.9% due to the lower revenue for the FY as well as higher effective tax rate for the FY.

(ix) FY 2004

Revenue in FY 2004 increased by approximately 112.7% from the previous FY mainly due to the significant increase hardware sales recorded as well as the significant growth in application software sales. Various new own-developed software such as Electronic Quotation Management System (eQMS) and Electronic Agency Management System (eAMS) were marketed to cater for the operational needs of Rexit Group's clients. The development of such new software products, coupled with complementary software maintenance contracts, had contributed to the significant growth in application software sales in FY 2004.

For FY 2004, Rexit Group record an increase in PAT by approximately 40.5% as compared to FY 2003.

(x) FY 2005

Rexit Group charted higher revenue of 83.2% as compared to the previous financial year mainly due to the increased sales in application software, subscription fees from the e-Cover portal and supplementary hardware sales attributable to the launch of the e-Cover portal services in conjunction with the nationwide implementation of JPJ eINSURANS initiative.

Conversely, gross profit margin for Rexit Group declined marginally to 21.7% against 27.6% in the previous FY due to increase in supplementary hardware sales which attracted lower margins, as compared to software development revenue and application software sales.

In line with the increase in revenue and coupled with the 100% tax exemption granted to Rexit Software due to its pioneer status, Rexit Group's consolidated PAT increased by 96.1% as compared to FY 2004.

13 ACCOUNTANTS' REPORT (Cont'd)

Peter I.M. Chieng & Co.
AF: 0311
 Estd. 1980

6. SUMMARISED INCOME STATEMENTS (Cont'd)

6.2 Summarised Income Statement of Rexit

Rexit was incorporated on 4 October 2004. Accordingly, there is no comparative information to be disclosed in this report.

The summarised income statement of Rexit set out below, is based on the audited financial statements.

	4.10.2004 (date of incorporation) to 30.6.2005 RM
Revenue	-
Loss before interest, taxation, depreciation and amortisation	(5,790)
Depreciation	-
Interest expense	-
Loss before taxation	(5,790)
Taxation	-
Loss after taxation	(5,790)
Number of ordinary shares of RM1 each (unit)	2
Net loss per share (RM)	(2,895.00)

Notes to the Summarised Income Statement of Rexit:

- (i) There were no exceptional items or extraordinary items in the FP under review.

13 ACCOUNTANTS' REPORT (Cont'd)

Peter I.M. Chieng & Co.
AF-0311
Estd. 1980

6. SUMMARISED INCOME STATEMENTS (Cont'd)**6.3 Summarised Income Statements of Rexit Solutions**

The summarised income statements of Rexit Solutions as set out below are based on the audited financial statements of Rexit Solutions for the sixteen (16) months FP ended 31 December 2000, eighteen (18) months FP ended 30 June 2002 and twelve (12) months FYs ended 30 June 2003, 2004 and 2005.

	<----- FY/FP ended (restated) ----->				
	1.9.1999 to 31.12.2000 RM	1.1.2001 to 30.6.2002 RM	1.7.2002 to 30.6.2003 RM	1.7.2003 to 30.6.2004 RM	1.7.2004 to 30.6.2005 RM
Revenue	5,279,177	16,671,641	6,482,983	13,789,886	22,295,528
Cost of sales	(4,470,663)	(11,534,795)	(3,629,386)	(9,982,278)	(19,358,710)
GP	808,514	5,136,846	2,853,597	3,807,608	2,936,818
Other operating income	14,569	59,235	59,989	62,771	236,037
Administrative expenses	(611,418)	(610,961)	(1,105,438)	(1,513,705)	(2,034,394)
EBITDA	211,665	4,585,120	1,808,148	2,356,674	1,138,461
Depreciation	(65,884)	(117,021)	(174,272)	(182,099)	(288,514)
PBIT	145,781	4,468,099	1,633,876	2,174,575	849,947
Interest expense	-	(40,372)	(86,519)	(99,039)	(96,859)
PBT	145,781	4,427,727	1,547,357	2,075,536	753,088
Taxation	(50,000)	(1,275,424)	(486,255)	(577,549)	(293,576)
PAT	95,781	3,152,303	1,061,102	1,497,987	459,512
Gross EPS*	1.46	44.28	15.47	20.76	5.58
Net EPS*	0.96	31.52	10.61	14.98	3.40
Effective tax rate (%) ⁽¹⁾	34.30	28.81	31.42	27.83	38.98
GP margin (%) ⁽²⁾	15.32	30.81	44.02	27.61	13.17
PBT margin (%) ⁽³⁾	2.76	26.56	23.87	15.05	3.38
Interest expense	-	40,372	86,519	99,039	96,859
Interest coverage (times) ⁽⁴⁾	N/A	113.57	20.90	23.80	11.75
Weighted average number of ordinary shares (unit)	100,000	100,000	100,000	100,000	135,000

* Based on the weighted average number of issued and paid-up ordinary shares of Rexit Solutions of RM1 each

- (1) Tax expense / PBT
(2) GP / Revenue
(3) PBT / Revenue
(4) PBIT / Interest expense

Notes to the Summarised Income Statements of Rexit Solutions:

- (i) There were no exceptional items or extraordinary items in the FPs/FYs under review.
- (ii) The summarised income statements include certain restatement for reclassification of expenses between cost of sales and administrative expenses for presentation purposes.

13 ACCOUNTANTS' REPORT (Cont'd)


Peter I.M. Chieng & Co.
AF-0311
Estd. 1980

6. SUMMARISED INCOME STATEMENTS (Cont'd)**6.3 Summarised Income Statements of Rexit Solutions (Cont'd)**

Notes to the Summarised Income Statements of Rexit Solutions (Cont'd):

- (iii) High revenue and PAT generated by Rexit Solutions was due to factors as explained in the Proforma Income Statements in Section 6.1.
- (iv) As Rexit Solutions has not adopted a capitalisation policy on software development cost, the lower GP margin in certain FPs/FYs under review was mainly due to certain research and development costs incurred on on-going software development projects of which the corresponding revenue were not generated in the same FP/FY. The effects of excluding such development costs from the overall results of the respective FP/FY were not adjusted as such costs are not separately identified.

6.4 Summarised Income Statements of Rexit(M)

The summarised income statements of Rexit(M) as set out below are based on the audited financial statements of Rexit(M) for the twelve (12) months FY ended 31 December 2000, eighteen (18) months FP ended 30 June 2002 and twelve (12) months FVs ended 30 June 2003, 2004 and 2005.

	<----- FY/FP ended (restated) ----->				
	1.1.2000 to 31.12.2000 RM	1.1.2001 to 30.6.2002 RM	1.7.2002 to 30.6.2003 RM	1.7.2003 to 30.6.2004 RM	1.7.2004 to 30.6.2005 RM
Revenue	2,114,013	310,840	-	-	240,000
Cost of sales	(781,458)	(40,650)	-	-	(144,000)
GP	1,332,555	270,190	-	-	96,000
Other operating income	23,870	18,475	51,733	50,064	50,302
Administrative expenses	(846,020)	(191,098)	(3,845)	(3,476)	(4,108)
EBITDA	510,405	97,567	47,888	46,588	142,194
Depreciation	(7,319)	(12,326)	(7,225)	(6,129)	(5,180)
PBIT	503,086	85,241	40,663	40,459	137,014
Interest expense	-	-	-	-	-
PBT	503,086	85,241	40,663	40,459	137,014
Taxation	(149,300)	(29,200)	(10,190)	(4,755)	(29,069)
PAT	353,786	56,041	30,473	35,704	107,945
Gross EPS*	251,543.00	85.24	40.66	40.46	137.01
Net EPS*	176,893.00	56.04	30.47	35.70	107.95
Effective tax rate (%) ⁽¹⁾	29.68	34.26	25.06	11.75	21.22
GP margin (%) ⁽²⁾	63.03	86.92	N/A	N/A	40.00
PBT margin (%) ⁽³⁾	23.80	27.42	N/A	N/A	57.09
Weighted average number of ordinary shares (unit)	2	1,000	1,000	1,000	1,000

* Based on the weighted average number of issued and paid-up ordinary shares of Rexit(M) of RM1 each

13 ACCOUNTANTS' REPORT (Cont'd)

 **Peter I.M. Chieng & Co.**
AF-0311
Estd. 1980

6. SUMMARISED INCOME STATEMENTS (Cont'd)

6.4 Summarised Income Statements of Rexit(M) (Cont'd)

Notes to the Summarised Income Statements of Rexit(M):

- (i) There were no exceptional items or extraordinary items in the FPs/FYs under review.
- (ii) The summarised income statements include certain restatement for reclassification of expenses between revenue, cost of sales and administrative expenses for presentation purposes.
- (iii) The decline in Rexit(M)'s revenue over the FP 2000 and 2002 was due to the streamlining of operations within the group. In FP 2002, Rexit(M) became dormant upon Rexit(M) being a subsidiary company of Rexit Solutions. Rexit(M) resumed its operations in FY 2005 in line with the business expansion of Rexit Group.
- (iv) As Rexit(M) has not adopted a capitalisation policy on software development cost, the lower GP margin in certain FPs/FYs under review was mainly due to certain research and development costs incurred on on-going software development projects of which the corresponding revenue were not generated in the same FP/FY. The effects of excluding such development costs from the overall results of the respective FP/FY were not adjusted as such costs are not separately identified.
- (v) In FYs 2003, 2004 and 2005, other operating income comprise of interest income earned from placement of funds in financial institutions.

13 ACCOUNTANTS' REPORT (Cont'd)


Peter I.M. Chieng & Co.
AF-0311
Estd. 1980

6. SUMMARISED INCOME STATEMENTS (Cont'd)**6.5 Summarised Income Statement of Rexit Software**

Rexit Software was incorporated on 17 June 2004. Accordingly, there is no comparative information to be disclosed in this report.

The summarised income statement of Rexit Software set out below, is based on the audited financial statements.

	17.6.2004 (date of incorporation) to 30.6.2005 RM
Revenue	2,721,598
Cost of sales	<u>(264,638)</u>
GP	2,456,960
Administrative expenses	<u>(50,499)</u>
EBITDA	2,406,461
Depreciation	<u>-</u>
PBIT	2,406,461
Interest expense	<u>-</u>
PBT	2,406,461
Taxation	<u>-</u>
PAT	<u>2,406,461</u>
Number of ordinary shares of RM1 each (unit)	2
Net earnings per share (RM)	1,203,230.50
GP margin (%) ⁽¹⁾	90.28
PBT margin (%) ⁽²⁾	88.42

(1) GP / Revenue

(2) PBT / Revenue

Notes to the Summarised Income Statement of Rexit Software:

- (i) There were no exceptional items or extraordinary items in the FP under review.
- (ii) Rexit Software commenced its operations during the FP in software development via its research and development team and provide technical support for the Rexit Group of Companies.
- (iii) The relatively higher GP and PBT margins of Rexit Software was due to the higher margins earned from application software and hosting services revenue.
- (iv) Rexit Software was granted pioneer status for a period of 5 years (renewable to 10 years subject to certain conditions being met) under the Promotion of Investment Act, 1986 by virtue of it being a company with Multimedia Super Corridor (MSC) status, which entitles Rexit Software to enjoy a five year tax exemption. Hence, there was no tax expense for the FP under review.

13 ACCOUNTANTS' REPORT (Cont'd)

Peter I.M. Chieng & Co.
 AF-0311
 Estd. 1980
7. SUMMARISED BALANCE SHEETS**7.1 Proforma Consolidated Balance Sheets**

The proforma consolidated balance sheets of Rexit Group based on its audited financial statements of Rexit Group of Companies are as follows:

	<----- Restated ----->				
	31.12.2000	30.6.2002	30.6.2003	30.6.2004	30.6.2005
	RM	RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	170,671	2,599,322	2,675,164	2,737,079	4,257,823
Investment in associated company	-	-	-	-	1,540,035
CURRENT ASSETS					
Trade receivables	1,152,641	3,873,019	2,464,194	1,886,450	1,720,612
Other receivables	373,104	181,873	88,814	205,907	607,553
Amount due from a director	658,135	699,774	699,774	699,774	-
Tax recoverable	-	-	-	-	346,000
Fixed deposits with licensed banks	2,550,000	2,647,924	2,395,524	4,928,892	12,108,372
Cash and bank balances	270,509	100,582	130,393	1,041,908	378,862
	<u>5,004,389</u>	<u>7,503,172</u>	<u>5,778,699</u>	<u>8,762,931</u>	<u>15,161,399</u>
CURRENT LIABILITIES					
Trade payables	1,070,000	2,225,901	-	1,328,356	1,350,148
Other payables and accruals	1,621,297	426,802	355,288	78,543	519,220
Deferred revenue	-	-	-	524,329	2,133,629
Term loan - short term	-	58,596	73,678	71,950	79,676
Provision for taxation	188,000	590,229	212,340	207,954	10,000
	<u>2,879,297</u>	<u>3,301,528</u>	<u>641,306</u>	<u>2,211,132</u>	<u>4,092,673</u>
NET CURRENT ASSETS	2,125,092	4,201,644	5,137,393	6,551,799	11,068,726
	<u>2,295,763</u>	<u>6,800,966</u>	<u>7,812,557</u>	<u>9,288,878</u>	<u>16,866,584</u>
FINANCED BY:					
Share capital	2	2	2	2	12,308,000
Reserve on consolidation	2,274,561	2,274,561	2,274,561	2,274,561	3,013,925
Retained profits	-	3,008,344	4,099,919	5,633,610	(5,790)
Shareholders' funds	<u>2,274,563</u>	<u>5,282,907</u>	<u>6,374,482</u>	<u>7,908,173</u>	<u>15,316,135</u>
NON-CURRENT LIABILITIES					
Term loan - long term	-	1,502,259	1,413,499	1,345,379	1,263,349
Deferred tax liabilities	21,200	15,800	24,576	35,326	287,100
	<u>2,295,763</u>	<u>6,800,966</u>	<u>7,812,557</u>	<u>9,288,878</u>	<u>16,866,584</u>
Net Tangible Assets ("NTA")	2,274,563	5,282,907	6,374,482	7,908,173	15,316,135
NTA per share ⁽¹⁾	1,137,281.50	2,641,453.50	3,187,241.00	3,954,086.50	0.12*
Current ratio (times) ⁽²⁾	1.74	2.27	9.01	3.96	3.70
Total borrowings ⁽³⁾	-	1,560,855	1,487,177	1,417,329	1,343,025
Gearing ratio (times) ⁽⁴⁾	N/A	0.30	0.23	0.18	0.09

13 ACCOUNTANTS' REPORT (Cont'd)

**Peter I.M. Chieng & Co.**
AF-0311
Estd. 1980

7. SUMMARISED BALANCE SHEETS (Cont'd)

7.1 Proforma Consolidated Balance Sheets (Cont'd)

- (1) NTA / Number of shares in issue
- (2) Current assets / Current liabilities
- (3) All interest-bearing debts
- (4) Total borrowings / Shareholders' funds

* Based on the assumed number of issued and paid-up ordinary shares of Rexit of 123,080,000 units prior to the Public Issue.


Notes to the Proforma Consolidated Balance Sheets of Rexit Group:

- (i) The proforma consolidated balance sheets of Rexit Group were presented on the assumption that Rexit held 100% equity interest in Rexit Solutions and Rexit(M) as of each of the respective balance sheet dates and 20% equity interest in Reward-Link.com since 26 November 2004 (initial acquisition date of Reward-Link.com by Rexit Solutions). The proforma balance sheets of Rexit Group were presented as of 31 December 2000, 30 June 2001, 2002 and 2003 where the audited financial statements of both Rexit Solutions and Rexit(M) were reported based on similar FP/FY ends. As Rexit Solutions and Rexit(M) both have different FY/FP ends prior to 31 December 2000, the proforma consolidated balance sheet for the FY/FP end prior to 31 December 2000 was not presented.

The proforma balance sheet of Rexit, being a newly incorporated company formed during the FY 2005, were presented on the assumption that Rexit was in existence on the respective balance sheet dates with an issued and paid up share capital and cash in hand of RM2 respectively. The proforma balance sheet of Rexit Group as at 30 June 2005 incorporates the effects of the corporate reorganisation and Acquisition of Rexit Software and Reward-Link.com, prior to the Public Issue and Listing.

- (ii) Investment in associated company comprise of the cost of acquisition of RM1,500,000 and the share of post acquisition reserve of RM40,035 in Reward-Link.com as of 30 June 2005.
- (iii) Reserve on consolidation were restated on the assumption that Rexit Solutions and Rexit(M) became a wholly owned subsidiary companies of Rexit as of 31 December 2000 onwards. Reserve on consolidation of RM3,013,925 as at 30 June 2005 which arise from the acquisitions is based on the difference between the purchase consideration and the fair value of the net tangible assets of the subsidiary companies as at 30 June 2005.
- (iv) The restated consolidated balance sheets include certain reclassification of balance sheet items for presentation purposes.

13 ACCOUNTANTS' REPORT (Cont'd)


Peter I.M. Chieng & Co.
AF: 0311
Estd. 1980

7. SUMMARISED BALANCE SHEETS (Cont'd)**7.2 Summarised Balance Sheet of Rexit**

Rexit was incorporated on 4 October 2004. Accordingly, there is no comparative information to be disclosed in this report.

The summarised balance sheet of Rexit set out below, is based on the audited financial statements as at 30 June 2005.

	30.6.2005 RM
CURRENT ASSETS	
Other receivables - prepayments	438,316
Cash in hand	<u>2</u>
	<u>438,318</u>
CURRENT LIABILITIES	
Other payables	<u>444,106</u>
NET CURRENT LIABILITIES	<u>(5,788)</u>
REPRESENTED BY:	
Share capital	2
Accumulated loss	<u>(5,790)</u>
Shareholders' deficit	<u>(5,788)</u>
Number of ordinary shares of RM1 each (unit)	2
NTA per share (RM)	(2,894.00)

13 ACCOUNTANTS' REPORT (Cont'd)

Peter I.M. Chieng & Co.
AF-0311
Estd. 1980

7. SUMMARISED BALANCE SHEETS (Cont'd)**7.3 Summarised Balance Sheets of Rexit Solutions**

The balance sheets of Rexit Solutions based on its audited financial statements are set out below:

	←----- Restated ----->				
	31.12.2000	30.6.2002	30.6.2003	30.6.2004	30.6.2005
	RM	RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	131,046	2,562,004	2,645,071	2,713,115	4,239,039
Investment in subsidiary companies	-	998	998	998	1,002
Investment in associated company	-	-	-	-	1,500,000
CURRENT ASSETS					
Trade receivables	370,378	3,873,019	2,464,194	1,886,450	1,130,925
Other receivables	206,665	181,213	88,514	205,607	611,443
Amount due from a director	243,999	699,774	699,774	699,774	-
Tax recoverable	-	-	-	-	346,000
Fixed deposits with a licensed bank	2,000,000	953,901	822,017	3,307,424	7,135,288
Cash and bank balances	262,516	93,331	112,898	1,034,091	343,680
	<u>3,083,558</u>	<u>5,801,238</u>	<u>4,187,397</u>	<u>7,133,346</u>	<u>9,567,336</u>
CURRENT LIABILITIES					
Trade payables	1,070,000	2,225,901	-	1,328,356	1,350,148
Other payables and accruals	1,537,254	424,066	352,588	77,743	456,474
Deferred revenue	-	-	-	524,329	752,876
Term loan - short term	-	58,596	73,678	71,950	79,676
Provision for taxation	40,000	440,765	209,370	205,334	-
	<u>2,647,254</u>	<u>3,149,328</u>	<u>635,636</u>	<u>2,207,712</u>	<u>2,639,174</u>
NET CURRENT ASSETS	436,304	2,651,910	3,551,761	4,925,634	6,928,162
	<u>567,350</u>	<u>5,214,912</u>	<u>6,197,830</u>	<u>7,639,747</u>	<u>12,668,203</u>
FINANCED BY:					
Share capital	100,000	100,000	100,000	100,000	160,000
Share premium	-	-	-	-	4,339,800
Retained profits	449,150	3,601,453	4,662,555	6,160,542	6,620,054
Shareholders' funds	<u>549,150</u>	<u>3,701,453</u>	<u>4,762,555</u>	<u>6,260,542</u>	<u>11,119,854</u>
NON-CURRENT LIABILITIES					
Term loan - long term	-	1,502,259	1,413,499	1,345,379	1,263,349
Deferred tax liabilities	18,200	11,200	21,776	33,826	285,000
	<u>567,350</u>	<u>5,214,912</u>	<u>6,197,830</u>	<u>7,639,747</u>	<u>12,668,203</u>

The restated balance sheets include certain reclassification of balance sheet items for presentation purposes.

13 ACCOUNTANTS' REPORT (Cont'd)


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AF-0311
Estd. 1980

7. SUMMARISED BALANCE SHEETS (Cont'd)**7.3 Summarised Balance Sheets of Rexit Solutions (Cont'd)**

	31.12.2000	30.6.2002	30.6.2003	30.6.2004	30.6.2005
	RM	RM	RM	RM	RM
NTA per share ⁽¹⁾	5.49	37.01	47.63	62.61	69.50
Current ratio (times) ⁽²⁾	1.16	1.84	6.59	3.23	3.63
Total borrowings ⁽³⁾	-	1,560,855	1,487,177	1,417,329	1,343,025
Gearing ratio (times) ⁽⁴⁾	N/A	0.42	0.31	0.23	0.12

(1) NTA / Number of shares in issue

(2) Current assets / Current liabilities

(3) All interest-bearing debts

(4) Total borrowings / Shareholders' funds

7.4 Summarised Balance Sheets of Rexit(M)

The balance sheets of Rexit(M) based on its audited financial statements are as set out below:

	<----- Restated ----->				
	31.12.2000	30.6.2002	30.6.2003	30.6.2004	30.6.2005
	RM	RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	39,625	37,318	30,093	23,964	18,784
CURRENT ASSETS					
Trade receivables	782,263	-	-	-	21,000
Other receivables	166,439	660	300	300	300
Amount due from a director	414,136	-	-	-	-
Fixed deposits with licensed banks	550,000	1,694,023	1,573,507	1,621,468	1,723,084
Cash and bank balances	7,991	7,249	17,493	7,815	9,104
	1,920,829	1,701,932	1,591,300	1,629,583	1,753,488
CURRENT LIABILITIES					
Trade payables	-	-	-	-	-
Other payables and accruals	84,043	2,736	2,700	800	3,600
Provision for taxation	148,000	149,464	2,970	2,620	10,000
	232,043	152,200	5,670	3,420	13,600
NET CURRENT ASSETS	1,688,786	1,549,732	1,585,630	1,626,163	1,739,888
	1,728,411	1,587,050	1,615,723	1,650,127	1,758,672
FINANCED BY:					
Share capital	2	1,000	1,000	1,000	1,000
Retained profits	1,725,409	1,581,450	1,611,923	1,647,627	1,755,572
Shareholder's funds	1,725,411	1,582,450	1,612,923	1,648,627	1,756,572
NON-CURRENT LIABILITIES					
Deferred tax liabilities	3,000	4,600	2,800	1,500	2,100
	1,728,411	1,587,050	1,615,723	1,650,127	1,758,672

13 ACCOUNTANTS' REPORT (Cont'd)

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AF-0311
Estd. 1980

7. SUMMARISED BALANCE SHEETS (Cont'd)**7.4 Summarised Balance Sheets of Rexit(M) (Cont'd)**

The restated balance sheets include certain reclassification of balance sheet items for presentation purposes.

	31.12.2000	30.6.2002	30.6.2003	30.6.2004	30.6.2005
	RM	RM	RM	RM	RM
NTA per share ⁽¹⁾	862,705.50	1,582.45	1,612.92	1,648.63	1,756.57
Current ratio (times) ⁽²⁾	8.28	11.18	280.65	476.49	128.93

(1) NTA / Number of shares in issue

(2) Current assets / Current liabilities

7.4 Summarised Balance Sheet of Rexit Software

Rexit Software was incorporated on 17 June 2004. Accordingly, there is no comparative information to be disclosed in this report.

The summarised balance sheet of Rexit Software set out below, is based on the audited financial statements as at 30 June 2005.

	30.6.2005
	RM
CURRENT ASSETS	
Trade receivables	568,687
Other receivables	1,000
Fixed deposits with licensed banks	3,250,000
Cash and bank balances	26,075
	<u>3,845,762</u>
CURRENT LIABILITIES	
Other payables	58,546
Deferred revenue	1,380,753
	<u>1,439,299</u>
NET CURRENT ASSETS	<u>2,406,463</u>
REPRESENTED BY:	
Share capital	2
Retained profit	2,406,461
Shareholder's fund	<u>2,406,463</u>
Number of ordinary shares of RM1 each (unit)	2
NTA per share ⁽¹⁾	1,203,231.50
Current ratio (times) ⁽²⁾	2.67

(1) NTA / Number of shares in issue

(2) Current assets / Current liabilities

13 ACCOUNTANTS' REPORT (Cont'd)

Peter I.M. Chieng & Co.
AF-0311
Estd. 1980

8. STATEMENT OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities of Rexit Group as at 30 June 2005 is presented based on the audited financial statements, for illustrative purposes only, to show the effects of the transactions stated in Section 3 of this report. The proforma statement of assets and liabilities should be read in conjunction with the notes thereto.

	Note	RM
NON-CURRENT ASSETS		
Property, plant and equipment	8.3	4,257,823
Investment in associated company	8.4	1,540,035
CURRENT ASSETS		
Trade receivables	8.5	1,720,612
Other receivables, deposits and prepayments	8.6	169,237
Tax recoverable		346,000
Fixed deposits with licensed banks	8.7	12,108,372
Cash and bank balances		5,271,578
		<u>19,615,799</u>
CURRENT LIABILITIES		
Trade payables	8.8	1,350,148
Other payables and accruals		519,220
Deferred revenue	8.9	2,133,629
Term loan - short term	8.10	79,676
Provision for taxation		10,000
		<u>4,092,673</u>
NET CURRENT ASSETS		15,523,126
		<u>21,320,984</u>
FINANCED BY:		
Share capital	8.11	14,200,000
Share premium	8.12	2,562,400
Reserve on consolidation		3,013,925
Accumulated loss		(5,790)
Shareholders' funds		<u>19,770,535</u>
NON-CURRENT LIABILITIES		
Term loan - long term	8.10	1,263,349
Deferred tax liabilities	8.13	287,100
		<u>21,320,984</u>

8.1 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by Rexit Group are summarised as follows:

(a) Basis of preparation of financial statements

The financial statements of the Group and of the Company have been prepared under the historical cost convention and in compliance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

13 ACCOUNTANTS' REPORT (Cont'd)

**Peter I.M. Chieng & Co.**
AF-0311
Estd. 1980

8. STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

8.1 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of consolidation

(i) Subsidiary companies

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed off during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiary companies are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary company at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interest in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(ii) Associated company

Associated companies are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investment in associated company is accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associated company. Under the equity method of accounting, the Group's share of profits less losses of the associated company during the financial year is included in the consolidated income statement. The Group's interest in the associated company is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are eliminated unless cost cannot be recovered.

13 ACCOUNTANTS' REPORT (Cont'd)

Peter I.M. Chieng & Co.
AF-0311
Estd. 1980

8. STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

8.1 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Investment in subsidiary companies and associated company

The Company's investments in subsidiary companies and associated company are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with 8.1(e).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with 8.1(e).

Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Freehold land and building	2%
Furniture and fittings	10%
Office equipment	10%
Renovation	20%
Computers	25%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(e) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. An impairment loss is recognised as an expense in the income statement immediately.

(f) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash in hand and at banks and fixed deposits.

(g) Trade receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(h) Trade payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

13 ACCOUNTANTS' REPORT (Cont'd)

**Peter I.M. Chieng & Co.**
AF-0311
Estd. 1980

8. STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

8.1 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(j) Interest-bearing borrowings

Interest-bearing bank loan is recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(k) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

13 ACCOUNTANTS' REPORT (Cont'd)

**Peter I.M. Chieng & Co.**
AF-0311
Estd. 1980

8. STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

8.1 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Revenue and income recognition

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of the revenue can be measured reliably.

(i) Hardware and application software sales

Revenue from hardware and application software sales are recognised by the stage of completion and user acceptance, upon the transfer of risks and rewards.

(ii) Revenue from software hosting services and other related income

Revenue from software hosting services and other related income is recognised on an accrual basis.

(iii) Revenue from software development, application software maintenance and consultancy services

Revenue from software development, application software maintenance and consultancy services are recognised as and when the services are performed.

(iv) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(m) Financial instruments

(i) Financial instruments recognised on the balance sheets

Financial assets and financial liabilities carried on the balance sheets include trade and other receivables/payables and interest-bearing borrowings. The accounting policies on recognition and measurement of these items are disclosed in their respective accounting policies.

Financial instruments are classified as liabilities or equities in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument are reported as expense or income. Financial instruments are offset when the Group has legal enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Financial instruments not recognised on the balance sheets

The Group and the Company did not enter into any contract involving financial instruments with off balance sheet risk.

(iii) Equity instrument

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

13 ACCOUNTANTS' REPORT (Cont'd)

**Peter I.M. Chieng & Co.**
AF-0311
Estd. 1980

8. STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

8.2 FINANCIAL RISK MANAGEMENT POLICIES

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its credit, liquidity, cash flow and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Credit risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(c) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

(d) Cash flow risk

Cash flow risk is the risk fluctuation in the amounts of future cash flows associated with a monetary financial instrument. Cash flow forecasts are prepared incorporating all major transactions. Any temporary excess funds, as and when available, from operating cash cycles, are invested in short term placements and fixed deposits with a wide array of licensed financial institutions at the most competitive interest rates obtainable.

(e) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt; the Group had no long term interest-bearing assets as at 30 June 2005. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

13 ACCOUNTANTS' REPORT (Cont'd)

Peter I.M. Chieng & Co.
AF-0311
Estd. 1980

8. STATEMENT OF ASSETS AND LIABILITIES (Cont'd)**8.3 PROPERTY, PLANT AND EQUIPMENT**

	Cost RM	Accumulated depreciation RM	Net book value RM
Freehold land and building	2,271,106	163,080	2,108,026
Furniture and fittings	65,238	18,885	46,353
Office equipment	105,454	45,764	59,690
Computers	2,315,676	406,201	1,909,475
Renovation	378,782	244,503	134,279
	<u>5,136,256</u>	<u>878,433</u>	<u>4,257,823</u>

8.4 INVESTMENT IN ASSOCIATED COMPANY

	RM
Unquoted shares, at cost	1,500,000
Share of post-acquisition reserves	40,035
	<u>1,540,035</u>

The Group's interest in the associated company is analysed as follows:

	RM
Share of net assets	853,493
Goodwill on consolidation	686,542
	<u>1,540,035</u>

Investment in associated company relates to the acquisition of 1,000,000 ordinary shares of RM1.00 each in Reward-Link.com, representing 20.0% of the issued and paid-up share capital of Reward-Link.com for a cash consideration of RM1,500,000. The Group's interest in the associated company is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition reserves.

8.5 TRADE RECEIVABLES

	RM
Trade receivables	1,753,612
Less: Allowance for doubtful debts	(33,000)
	<u>1,720,612</u>

The Group's normal trade credit terms range from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or group of debtors.

13 ACCOUNTANTS' REPORT (Cont'd)

Peter I.M. Chieng & Co.
AF-0311
Estd. 1980

8. STATEMENT OF ASSETS AND LIABILITIES (Cont'd)**8.6 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	RM
Sundry receivables	4,350
Deposits	17,040
Prepayments	147,847
	<u>169,237</u>

Prepayments comprise of prepaid insurance for office premises, staff personal accident and medical policies as well as prepaid maintenance cost for the software maintenance services rendered to Rexit Group's clients.

8.7 FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks bear interest from 2.1% to 3.0% per annum and the average maturities of deposits as at the balance sheet date is one month.

8.8 TRADE PAYABLES

The normal credit term granted to the Company ranges from 60 to 90 days.

8.9 DEFERRED REVENUE

Deferred revenue of the Group represents unearned subscription income received in advance.

8.10 TERM LOAN

	RM
Amount outstanding	1,343,025
Current portion - due within one year	(79,676)
Non-current portion	<u>1,263,349</u>

The non-current portion of the term loan is repayable as follows:

	RM
Later than one year not later than five years	380,618
Later than five years	882,731
	<u>1,263,349</u>

Term loan was obtained to finance the acquisition of land and building. The term loan bears interest at 1.0% per annum above the bank's base lending rate and is repayable under 180 instalments and the monthly instalment amount will be varied according to the fluctuation of the prevailing market interest rate at that particular period.

The term loan is secured by way of:

- (i) A Facilities Agreement as a principal instrument stamped to cover the loan amount of RM1,600,000;
- (ii) a register open all monies 1st Party Charge over the Company's freehold land and building;
- (iii) a joint and several guarantee by a director and third parties for the loan amount of RM1,600,000.

13 ACCOUNTANTS' REPORT (Cont'd)

Peter I.M. Chieng & Co.
AF-0311
Estd. 1980

8. STATEMENT OF ASSETS AND LIABILITIES (Cont'd)**8.11 SHARE CAPITAL**

	Number of ordinary shares Unit	Amount RM
Authorised:		
Ordinary shares of RM1 each: As at 30 June 2005*	<u>100,000</u>	<u>100,000</u>
Issued and fully paid up:		
Ordinary shares of RM1 each: As at 30 June 2005	<u>2</u>	<u>2</u>
Ordinary shares of RM0.10 each: Effects arising from:		
Share Split	20	2
Acquisition of Rexit Solutions	<u>123,079,980</u>	<u>12,307,998</u>
	123,080,000	12,308,000
Public Issue	<u>18,920,000</u>	<u>1,892,000</u>
	<u>142,000,000</u>	<u>14,200,000</u>

* Effects of transactions stated in Section 3 of this report on the authorised share capital of Rexit are not presented. On 30 August 2005, the authorised share capital of Rexit was increased from RM100,000 comprising 100,000 ordinary shares of RM1 each to RM25,000,000 which comprised of 250,000,000 ordinary shares of RM0.10 each (upon Share Split).

8.12 SHARE PREMIUM

	RM
As at 30 June 2005	-
Effects arising from Public Issue	4,162,400
Estimated listing expenses	<u>(1,600,000)</u>
	<u>2,562,400</u>

8.13 DEFERRED TAX LIABILITIES

Deferred tax liabilities mainly consist of accelerated capital allowances over depreciation charges.

9. NTA COVER

Based on the proforma statement of assets and liabilities of Rexit Group as at 30 June 2005, the proforma consolidated NTA per ordinary share of RM0.10 each is as follows:

	RM
Proforma NTA of Rexit Group as at 30 June 2005	<u>19,770,535</u>
Number of ordinary shares after the transactions	<u>142,000,000</u>
Proforma NTA per ordinary shares in issue as at 30 June 2005	<u>0.14</u>

13 ACCOUNTANTS' REPORT (Cont'd)

Peter I.M. Chieng & Co.
AF-0311
Estd. 1980

10. CONSOLIDATED CASHFLOW STATEMENTS

The proforma consolidated cashflow statement of the Rexit Group for the financial year ended 30 June 2005 set out below is based on the audited financial statements, after taking into consideration of the effects of the transactions stated in Section 3 of this report.

	RM
CASHFLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	27,871,530
Cash paid to suppliers and employees	<u>(21,940,807)</u>
Cash generated from operations	5,930,723
Tax paid	(614,824)
Interest paid	<u>(96,859)</u>
Net cash generated from operating activities	<u>5,219,040</u>
CASHFLOWS FROM INVESTING ACTIVITIES	
Acquisition of additional shares in subsidiary company	(2)
Acquisition of investment in associated company	(1,500,000)
Purchase of property, plant and equipment	(1,850,520)
Proceeds from disposal of property, plant and equipment	76,500
Interest received	245,921
Net cash used in investing activities	<u>(3,028,101)</u>
CASHFLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of shares in Rexit Solutions	4,399,800
Proceeds from issuance of shares arising from Public Issue	6,054,400
Payment of listing expenses +	(1,161,684)
Repayment of borrowings	<u>(74,305)</u>
Net cash generated from financing activities	<u>9,218,211</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,409,150
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,970,800
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>17,379,950</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR COMPRISED:	
Fixed deposits with licensed banks	12,108,372
Cash and bank balances	<u>5,271,578</u>
	<u>17,379,950</u>
+ Payment of listing expenses of RM1,600,000 is presented on the remaining payable amount of RM1,161,684 (net of prepayments of RM438,316 made as of 30 June 2005).	
Estimated listing expenses	1,600,000
Less: Prepayments of listing expenses as at 30 June 2005	<u>(438,316)</u>
Payment of listing expenses	<u>1,161,684</u>

13 ACCOUNTANTS' REPORT (Cont'd)


Peter I.M. Chieng & Co.
AF-0311
Estd. 1980

11. OTHER SIGNIFICANT MATTERS

Contingent Liabilities

The management represented that there were no contingent liabilities for Rexit Group as at 30 June 2005.

Capital Commitments

The management represented that Rexit Group has not entered into any capital commitments as at 30 June 2005.

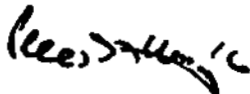
Subsequent Events

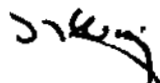
There were no subsequent events between the date of the latest audited financial statements and the date of this report.

12. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30 June 2005 for Rexit Group.

Yours faithfully


PETER I.M. CHIENG & CO.
AF 0311
Chartered Accountants


CHIENG ING MUI
CA(M), FCA, CPA
711/06/06 (J/PH)

Petaling Jaya, Selangor Darul Ehsan.